



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

Goodwill. Its Nature and How to Value It. By P. D. LEAKE.
(London: Gee and Company. 1914. Pp. 24.)

The author first considers briefly the original use of the term good-will and the definition usually given therefor, which he considers too narrow in that it relates only to ready-formed connections with customers and fails to take into consideration the frequent purchase of good-will in embryo. Good-will in its full meaning, as used by the author, comprises the value lodged in (a) rights to carry on industrial and commercial enterprises, with the benefit of current contracts, including leases, and the use of trade-names, and trade-marks; (b) patent rights; (c) copyrights; (d) rights to exercise monopolies; all of which, with the possible exception of the last-named, represent existing values traceable to the exercise in the past of personal industry, skill, and ability.

Having in mind the above-stated limits to the field in which good-will operates, Mr. Leake says:

Goodwill, in its commercial sense, is the present value of the right to receive expected future "super-profits," meaning the amount by which future revenue, increase, or advantage, to be received, is expected to exceed any and all expenditure incidental to its production.

Inasmuch as money can always obtain a normal annual wage without the payment of an initial premium the vendor of good-will is entitled only to the present value of an annuity equal to an annual share of future super-profits, *i.e.*, the profits after deducting therefrom the amount sufficient to pay the normal rate of interest on the investment.

Super-profits seldom exist permanently nor can a purchaser reasonably expect to acquire the whole benefit of future annual super-profits; therefore the vendor is entitled to be paid only the present value of an annuity equal to the share which he is able to transfer and deliver to the purchaser. Granting this premise, the computation of the value of good-will becomes, in the author's view, a relatively simple matter, although he recognizes the difficulty of determining the number of years during which super-profits may fairly be expected to continue as the result of the work already done and the influence of the vendor.

The personality of the buyer is also a factor having in some cases an important bearing upon the value of good-will while in others it is relatively unimportant. In the purchase of the good-will of a professional practice, for instance, the personality of

the buyer is of extreme importance while the good-will of a steel company might readily pass from one group of owners to another group without any material effect upon its value.

Up to this point, Mr. Leake has succeeded in clarifying the atmosphere and clearly stating the principles underlying the valuation of good-will; and in so doing he has performed a useful service to economists, accountants, and business men alike. There will always be ample room for differences of opinion, however, in determining the period during which profits may be expected to continue at a given level; thus the purchase and sale of good-will will probably always be dealt with on a more or less rough and ready basis of value rather than upon anything approaching a truly scientific one.

A further point of controversy certain to arise in attempting to apply the principles of valuation laid down by Mr. Leake is the determination of a normal rate of interest on the capital invested. There may be such a thing as a normal rate of interest but certainly it does not lend itself to ready identification.

Mr. Leake's definition of good-will will serve to stimulate thought even though it probably will not gain general acceptance at once. His effort to reduce to a formula the method of computing the value of good-will is not likely to prove very helpful in practical affairs because of the uncertain factors involved. However, the whole subject is worthy of more general study and Mr. Leake's brief paper provides at least a good starting point for further consideration.

J. E. STERRETT.

NEW BOOKS

ADDIE, A. S. *The perpetual inventory*. (Chicago: Inland Trade Press Co. 1914. 50c.)

BENNETT, W. P. *The history and present position of the bill of lading as a document of title to goods*. (New York: Putnams. 1914.)

BENTLEY, H. C., compiler. *C. P. A. auditing questions to January 1, 1914*. (New York: Ronald Press. 1914. Pp. 247. \$2.)

BRANDEIS, L. D. *Business. A profession*. (Boston: Small, Maynard. 1914. Pp. lvi, 327. \$2.)

A collection of papers and addresses by Mr. Brandeis which have appeared in periodicals and newspapers. Among these are several on business efficiency. Others are entitled: "Incorporation of trade unions," "How Boston solved the gas problem," and "Savings bank